



- Board of Directors
Water Planning and Stewardship Committee

12/10/2019 Board Meeting

8-8

Subject

Authorize amendments to agreements with Desert Water Agency and Coachella Valley Water District regarding the exchange and delivery of water; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA

Executive Summary

This letter seeks authority to amend water exchange and delivery agreements among Metropolitan, Desert Water Agency (Desert), and Coachella Valley Water District (Coachella) to provide operational benefits for the parties and to consolidate various prior agreements and amendments.

Details

Background

Desert and Coachella are State Water Project (SWP) contractors with a combined total Table A amount of 194,100 acre-feet (AF). Coachella also has a contract with the United States for the delivery of Colorado River water. Because of their remote locations, Desert and Coachella did not build a physical connection to the East Branch of the SWP. Thus, they have no direct means of taking their SWP supplies. In 1972, Desert and Coachella entered into exchange agreements with Metropolitan to deliver their SWP supplies to Metropolitan, and in exchange, Metropolitan delivers a like amount of Colorado River water to Desert and Coachella.

The exchange agreements have been amended many times since they were initially approved. An important amendment in 1984 was the creation of a storage account in Coachella Valley allowing Metropolitan to pre-deliver and store up to 800,000 AF of Colorado River water in advance of receiving Desert and Coachella's SWP supplies. Another amendment in 2003 transferred 100,000 AF of Metropolitan's SWP Table A water to Desert and Coachella along with the associated annual fixed and variable costs. Under certain conditions, Metropolitan has the option to call back that water in any year when Metropolitan needs the additional supply. If called back, Metropolitan would reimburse Desert and Coachella for those SWP costs in that year.

The exchange agreements contain provisions that address the parties' currently available SWP supplies. However, the parties desire to address the terms for participation in potential future SWP supply opportunities and incorporate greater operational flexibility, including more equitable sharing of benefits and risks from participation in the SWP.

In 2003, Metropolitan and Coachella entered into and amended additional agreements related to the Quantification Settlement Agreement. Under one such agreement, Metropolitan provides up to 35,000 AF per year of SWP supplies to Coachella and exchanges that water for Colorado River supplies for delivery to the Coachella Canal or upper Coachella Valley for which Coachella reimburses Metropolitan for the cost of delivery. Under another agreement, the 1989 Approval Agreement as amended in 2003, Metropolitan provides Coachella up to 20,000 AF per year of water generated by the Imperial Irrigation District conservation program. Coachella and Metropolitan desire to amend the 35,000 AF exchange agreement to provide flexibility and certainty, to simplify the payment structure, and to allow a portion of water from the 1989 Approval Agreement to be exchanged through 2026.

Proposed Amendments

The parties are proposing to make amendments to the exchange and delivery agreements as summarized here:

- **Consolidate the exchange agreement amendments among Coachella, Desert, and Metropolitan into one restated agreement.** The exchange agreements have been amended multiple times, and the parties desire to have one new agreement listing all of the terms and conditions for easy reference.
- **Eliminate the 100,000 AF Table A SWP call-back provision.** Metropolitan has not called back the Table A transfer since its inception, as more cost-effective options have been available. However, the call-back provision makes it more difficult for Desert and Coachella to plan future water reliability.
- **Provide Metropolitan the flexibility to defer deliveries in dry years.** In consideration for eliminating the 100,000 AF call-back provision, Metropolitan would gain the right to defer for up to five years 200,000 AF of deliveries to Desert and Coachella.
- **More equitably share SWP operational risks and benefits.** Under the existing agreements, different categories of SWP water have different levels of risk and reliability. The proposed amendments would allow each of the agencies to more equitably share in the risks and benefits of participation in the SWP. For example, the agencies would have proportional access to surplus water and water transfers, and if carryover were to spill, any water lost would be proportionally shared.
- **Desert and Coachella participate with Metropolitan sharing water management costs.** Currently, Metropolitan manages water in wet years by storing it in the Central Valley and incurs those storage costs. Under the proposed amendments, Desert and Coachella would share in the costs to manage water in wetter years by providing a payment to Metropolitan when the SWP allocation exceeds 50 percent. This payment represents about 10 percent of Metropolitan's projected annual costs to store SWP supplies each year.
- **Amend the Coachella 35,000 AF exchange agreement to provide greater flexibility in making exchange deliveries.** The proposed amendments would change the annual delivery provision to a cumulative total delivery amount through 2026, giving Metropolitan flexibility in making its delivery commitment to Coachella. It would also allow for 15,000 AF of water under the 1989 Approval Agreement to be delivered to the Whitewater service connections under the same terms and conditions as the 35,000 AF exchange agreement provisions, with Metropolitan retaining the remaining 5,000 AF for its own use.

Benefits of Proposed Amendments

The proposed amendments would build upon the existing benefits of the exchange agreements to all of the parties involved. The amendments provide greater certainty for water supply and financial planning, simplify implementation of the exchanges, provide Metropolitan with additional revenue, and improve dry-year water supply reliability for Metropolitan.

Policy

By Minute Item 42820, dated February 10, 1998, the Board approved a policy principle to protect Metropolitan's interests in and increase its dependable entitlements to Colorado River water, while collaborating with other water agencies.

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities.

California Environmental Quality Act (CEQA)

CEQA determination(s) for Option #1:

The proposed action is not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378(b)(5)) because it involves organizational or administrative activities that will not result in a direct or indirect physical change to the environment. Additionally, where it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, the proposed action is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines).

CEQA determination(s) for Option #2:

None required

Board Options

Option #1

Authorize the General Manager to enter into amendments to the exchange and delivery agreements with Desert Water Agency and Coachella Valley Water District consistent with terms discussed in this letter and in a form approved by the General Counsel.

Fiscal Impact: Increased revenue of up to \$8 million annually to offset SWP water management and storage costs and increased delivery of Coachella water to the Whitewater turnout.

Business Analysis: The proposed amendments would simplify the exchange and delivery agreements and increase Metropolitan's dry-year supply reliability.

Option #2

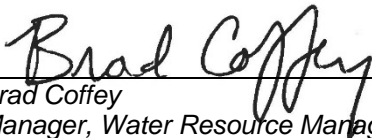
Do not approve the proposed amendments and instruct staff to negotiate different amendments to exchange and delivery agreements.

Fiscal Impact: None

Business Analysis: Metropolitan would not benefit from the proposed amendments to the exchange and delivery agreements.

Staff Recommendation

Option #1


 Brad Coffey
 Manager, Water Resource Management

11/22/2019
Date


 Jeffrey Nightlinger
 General Manager

11/26/2019
Date